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Food and Agriculture  
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Продовольственная и  
сельскохозяйственная организация  
Объединенных Наций

Organización de las  
Naciones Unidas para la  
Alimentación y la Agricultura

منظمة  
الغذية والزراعة  
للأمم المتحدة

# COUNCIL

## Hundred and Sixty-fourth Session

6-10 July 2020<sup>1</sup>

### Report of the 180th Session of the Finance Committee (8-17 June 2020)

#### Executive Summary

At its first regular session in 2020, the Committee examined the financial position of the Organization and other matters under its mandate. In this report of its 180th Session, the Committee:

- 1) **Makes specific recommendations** to the Council: (i) urging Members to make timely and full payment of assessed contributions (para 10); (ii) on further adjustments to the Programme of Work and Budget 2020-21 (paras 17 - 21); (iii) on the change in denomination of the FAO Audit Committee to “FAO Oversight Advisory Committee” (para 30); and (iv) on its endorsement of the Director-General's recommendations for appointment of Audit Committee members (para 32).
- 2) **Informs** Council of its decisions: (i) approving the forecasted budgetary Chapter transfers arising from implementation of the 2018-19 Programme of Work (para 23); and (ii) approving the revised Charter of the Office of the Inspector General (para 36).
- 3) **Brings to the attention** of Council its guidance to the Secretariat on the Organization's financial position, budgetary matters, human resources, oversight and other matters.

<sup>1</sup> Rescheduled from 8-12 June 2020

### **Suggested action by Council**

The Council is requested to:

- a) **endorse** the recommendations of the Committee on timely payment of assessed contributions, on further adjustments to the Programme of Work and Budget 2020-21, on the change in denomination of the FAO Audit Committee, and on the Director-General's recommendations for appointment of Audit Committee members.
- b) **take note of** the decisions of the Committee on the forecasted budgetary chapter transfers arising from implementation of the 2018-19 Programme of Work and the revised Charter of the Office of the Inspector General.
- c) **endorse** the Committee's guidance provided to the Secretariat on all other matters within its mandate.

*Queries on the substantive content of this document may be addressed to:*

David McSherry  
Secretary, Finance Committee  
Email: DavidWilliam.McSherry@fao.org or Tel: +3906 5705 3719

## Introduction

1. The Committee submitted to the Council the following report of its Hundred and Eightieth Session.

2. In addition to the Chairperson, Ms Imelda Smolčić (Uruguay), the following representatives of Members were present:

- Ms Lynda Hayden (Australia)
- Mr Manash Mitra (Bangladesh)
- Mr Rodrigo Estrela de Carvalho (Brazil)
- Mr Haitham Abdelhady Elsayed Elshahat (Egypt)
- H.E. (Ms) Zenebu Tadesse Woldetsadik (Ethiopia)
- Mr Heiner Thofern (Germany)
- Mr Toru Hisazome (Japan)
- Mr Benito Santiago Jiménez Sauma (Mexico)
- Ms Tahirou Rahila Rabiou (Niger)
- Mr Vladimir V. Kuznetsov (Russian Federation)
- Mr Sid Ahmed M. Alamain Hamid Alamain (Sudan)
- Ms Jennifer Harhigh (United States of America)

3. The Chairperson informed the Committee that Mr Addisu Melkamu Kebede (Ethiopia) had been designated to replace H.E. (Ms) Zenebu Tadesse Woldetsadik as the representative of Ethiopia for part of this session.

4. A summary of the qualifications of the substitute representatives can be downloaded from the Governing and Statutory Body Web site at: <http://www.fao.org/unfao/govbodies/gsbhome/finance-committee/substitute-representatives/en/>

5. The 180th Session of the Finance Committee was convened virtually on an exceptional basis due to the COVID-19 pandemic. The Finance Meeting confirmed, pursuant to Rule VII of the rules of procedure of the Finance Committee, that it agreed to suspend Rule II(4) of the rules of procedure of the Committee which requires that sessions shall be held at the seat of the Organization.

6. In adopting the agenda for its 180th Session, the Committee recalled that it agreed to consider the following items by correspondence:

- Item 2, *Financial position of the Organization*;
- Item 3, *Report on Investments 2019*;
- Item 4, *2019 Actuarial Valuation of Staff Related Liabilities*;
- Item 8, *Recommendations and Decisions of the International Civil Service Commission to the General Assembly (including Changes in Salary Scales and Allowances)*;
- Item 9, *FAO Audit Committee - 2019 Annual Report*;
- Item 15, *Status of Outstanding Recommendations of the Finance Committee*.

7. In addition, silent observers from the following Members attended the 180th Session of the Committee:

- Argentina
- Belgium
- Bulgaria
- Cameroon
- Costa Rica
- Dominican Republic
- Kuwait
- Morocco
- Panama
- Portugal
- San Marino
- Senegal

- European Union
- Finland
- France
- Gabon
- Israel
- Sweden
- Switzerland
- United Kingdom
- Venezuela
- Zimbabwe

## **Monitoring Financial Position**

### **Financial Position of the Organization**

8. The Committee reviewed document FC 180/2, the *Financial Position of the Organization* as at 31 December 2019 and cash flow forecast for 2020, including the liquidity of the Organization, the status of outstanding assessed contributions, short- and long-term investments, staff related liabilities, Technical Cooperation Programme (TCP) expenditure and outstanding balances, the General Fund deficit and voluntary contributions.

9. The Committee was also provided with an updated status of current assessments and arrears of the Organization as at 31 May 2020.

10. **The Committee:**

- a) **noted that based on the latest Regular Programme cash levels and projected payment patterns of Member Nations, the Organization's liquidity was expected to be sufficient to cover operational needs through 31 December 2020;**
- b) **recognizing that the Organization's ongoing cash flow health was dependent on the timely payment of assessed contributions, urged Member Nations to make payments of assessed contributions on time and in full;**
- c) **noted the increase in the General Fund deficit of the Organization to USD 937.6 million as at 31 December 2019 from USD 899.3 million as at 31 December 2017 and that the overall level of the deficit was primarily due to unfunded charges for staff related liabilities;**
- d) **noted the additional information provided on TCP approval and expenditure rates for biennia 2016-17 and 2018-19, and emphasized the importance of maintaining TCP expenditure at a level that ensured full implementation of the TCP appropriation as approved by the Conference; and**
- e) **noted the information provided on investment performance and that this matter would be considered in further detail by the Committee under the agenda item on the Report on Investments 2019.**

### **Report on Investments 2019**

11. The Committee reviewed document FC 180/3, *Report on Investments 2019*.

12. **The Committee:**

- a) **took note of the *Report on Investments 2019*, in particular the performance reported on the short- and long-term investment portfolios; and**
- b) **further noted the information provided by the Management on the impact of Covid-19 on market performance and the actions being taken to monitor this, including through the established governance arrangements.**

## 2019 Actuarial Valuation of Staff Related Liabilities

13. The Committee reviewed document FC 180/4, *2019 Actuarial Valuation of Staff Related Liabilities*.
14. **The Committee:**
- a) **noted that total staff related liabilities as at 31 December 2019 amounted to USD 1 481.6 million, of which USD 928.5 million were unfunded, representing an increase of USD 117.1 million from the valuation at 31 December 2018;**
  - b) **further noted that the net increase in the valuation at 31 December 2019 was primarily due to changes in the following actuarial assumptions: a decrease in the discount rates applied; offset by the movement in the year-end Euro-United States Dollar exchange rate, changes in the claims and administrative expenses experience and a decrease in assumed medical cost trend; and**
  - c) **encouraged the continued participation of the Secretariat in the UN Common System's search for the identification of a solution to this issue.**

## Budgetary Matters

### Further Adjustments to the Programme of Work and Budget 2020-21

15. The Committee considered document CL 164/3, *Further Adjustments to the Programme of Work and Budget 2020-21*, focusing on a technical review of the proposals in accordance with its mandate. It discussed in particular the revised budgeted post establishment (Web Annex 3) and structural changes (Annex 1) and the revised distribution of the net appropriation by budgetary chapter as reflected in Table 3.
16. The Committee also considered the Information Note provided by the Management prior to the session.
17. Based on its technical review of the document, **the Committee:**
- a) **reviewed the implementation arrangements of the proposed organizational structure and requested Management to provide additional information, especially clear delineation of roles, responsibilities and accountability, including for Deputy Directors-General and Assistant Directors-General;**
  - b) **noted that further budgetary transfers could arise as a result of requirements stemming from COVID-19, guidance from the Regional Conferences, further work planning, and from the most efficient and effective modalities of implementation during the biennium. Also noted that any transfers within the same chapter and transfers from one chapter to another required to implement the PWB during the biennium would be handled in accordance with Financial Regulation 4.5.**
18. The Committee **welcomed confirmation from Management that the additional resources allocated to FAO's work on the International Plant Protection Convention (IPPC) and the Joint FAO/WHO Food Safety Scientific Advice Programme have been incorporated into the ongoing programme of work as requested by the 163rd Session of the Council.**
19. The Committee **requested Management prioritize sustainable funding for the Office of the Inspector General and reflect this appropriately in Web Annex 3.**
20. While the Committee understood the concept of creating an Organization that is fit-for-purpose, flexible, responsive, efficient, innovative and avoids silos, it **emphasized the need for further information on transparency and accountability, including as regards the Hand in Hand**

initiative, and clear reporting lines of offices, centres and divisions, in order to allow Members' approval at the 164th session of the Council.

21. In order to facilitate consideration of the proposals by Council, the Committee requested Management to provide further information on budget and post allocations to better enable Members to track the proposed changes compared with the adjustments adopted by the Council at its 163rd Session; including as regards the Joint FAO/WHO Centre, the Animal Health and Production Division (NSA) and the Food Systems and Food Safety Division (ESF); and the Joint FAO/IAEA Centre.

### **Annual Report on Budgetary Performance and Programme and Budgetary Transfers in the 2018-2019 Biennium**

22. The Committee considered document FC 180/6, *Annual Report on Budgetary Performance and Programme and Budgetary Transfers in the 2018-2019 Biennium*.

23. **The Committee:**

- a) took note of the final 2018-19 budgetary performance based on the unaudited accounts of the Organization, and the unspent balance of USD 3.6 million;
- b) while acknowledging that the more fundamental discussion on the use of unspent balances of biennial appropriations in accordance with the provision of Financial Regulation 4.2 was still ongoing, the Committee recalled that the unspent balance would be allocated for one-time uses in 2020-21, based on a proposal submitted to, and agreed by the Joint Meeting of the Programme and Finance Committees, and the Council, as authorized by the Conference at its 41st Session;
- c) noted the information provided on the agreed use in 2018-19 of the unspent balance of the 2016-17 appropriation;
- d) recalled that any unspent balances in the Technical Cooperation Programme (Chapter 7), Capital Expenditure (Chapter 13) and Security Expenditure (Chapter 14) would be transferred to the 2020-21 biennium as per the Financial Regulations; and
- e) approved the final budgetary transfers in favour of Chapters 1, 2, 3, 4 and 5, as shown in Table 2 of the document (Annex I).

## **Human Resources**

### **Human Resources Management**

24. The Committee examined document FC 180/7.1 on *Human Resources Management*.

25. **The Committee:**

- a) welcomed the appointment of the Director of Human Resources and the commitment of the FAO administration to review the Organization's human resources policies and practices to ensure an engaged and empowered workforce that can perform to the best of its ability in order to deliver the Organization's mandate;
- b) expressed appreciation for the quality of the report, noting the information and statistical data provided in the updated analytic and workforce reporting for FAO Human Resources;
- c) welcomed the information provided on preparation of a detailed HR Strategic Action Plan with specific timelines and results to be achieved to improve human resources management and looked forward to reviewing the HR Strategic Action Plan at its next session in November 2020;

- d) **encouraged** Management to continue improving the information presented in future reports, including through an annual update on benchmarks and progress made on the HR Strategic Plan in line with other strategic documents and annual reports;
- e) **welcomed** the information provided on the COVID-19 response and the confirmation that steps would be taken to institutionalize some of the new ways of working and integrate lessons learned around flexibility and agility in its HR Strategic Action Plan;
- f) **expressed concern** at the increasingly high vacancy rate both in headquarters and in decentralized offices, and requested Management to address the situation as a priority to reduce such rates;
- g) **welcomed** the suspension of the use of employment rosters of pre-qualified candidates pending the finalization of the ongoing adjustments of the recruitment process;
- h) **noted with concern** the significant increase in the number of consultants emphasizing that consultants should generally be hired to accommodate specific short-term requirements;
- i) **reiterated** its request formulated at the 178th Session that Management addresses the issue of delegation of authority as a matter of urgency taking into account General Rule XXXVIII (5);
- j) **encouraged** Management in its continued efforts to enhance the Organization's human resources functions, including as regards: i) streamlined and merit-based selection and recruitment processes and procedures, taking into consideration equitable geographical representation both for staff and consultants; ii) further measures for the promotion of gender parity in the Organization, in particular in senior level positions; iii) staff development and learning initiatives; and iv) measures to enable strengthened employee engagement;
- k) **encouraged** Management in its continued outreach activities and building of strategic partnerships to further develop FAO's Global Internship, volunteer and fellowship (IVF) programme;
- l) **welcomed** Management sharing of the highlights of the 2019 Employee satisfaction survey in a transparent manner and the appointment of a Deputy Director-General as senior Employee Survey Champion;
- m) **requested** Management to present to its November 2020 session with the full set of results and the related analysis of the staff satisfaction survey and to report on its action plan to address the issues related to the survey, especially on harassment, sexual harassment and abuse of authority, unethical behaviour, communication, and staff development. Moreover, the Committee **underlined** the importance of including the staff representative bodies in the analysis of the results of the staff satisfaction survey and in the decisions on the actions to take based thereon;
- n) **looked forward** to the Audit Committee reviewing the Terms of Reference of the Ethics Officer including the term of appointment of the position and **requested** Management to also consult with the Audit Committee on the Terms of Reference for the new Ombudsman function; and
- o) **took note** of the different grade levels of FAO Representatives in decentralized offices, in particular in Africa, and **requested** management to address this issue as a matter of urgency.

### OIG Audit of the Staff Mobility Programme

26. The Committee examined document FC 180/7.2, *OIG Audit of the Staff Mobility Programme*.

27. **The Committee:**

- a) **welcomed** the summary report of the Inspector General on the audit of the Staff Mobility Programme which highlighted the need for a major overhaul of the current policies, strategies and procedures in place which were unsatisfactory to achieve the objectives of the staff mobility programme;
- b) **encouraged** Management to duly consider the report's findings and conclusions in preparing a new staff mobility policy that meets the specific needs of FAO, being a knowledge-based Organization, includes the possibility of interagency mobility, takes into account UN System best practices, and is part of a holistic staffing and Human Resources management framework; and
- c) **requested** Management to develop a methodology to track the financial implications associated with staff mobility.

**Recommendations and Decisions of the International Civil Service Commission to the General Assembly (including Changes in Salary Scales and Allowances)**

28. The Committee **noted** the recent developments in the activities of the International Civil Service Commission (ICSC) and the United Nations Joint Staff Pension Board (UNJSPB).

**Oversight**

**FAO Audit Committee – 2019 Annual Report**

29. The Committee reviewed document FC 180/9, FAO Audit Committee's Annual Report for 2019.

30. **The Committee:**

- a) **acknowledged** the important role of the Committee in providing independent assurance and advice in the mandated areas under its Terms of Reference;
- b) **welcomed** the Report, which included positive conclusions on the operation of the Office of the Inspector General and relevant advice in relation to FAO's system of internal control, risk management and governance;
- c) **expressed satisfaction** with the Committee's advice in the areas under its mandate;
- d) **welcomed** the Director-General's concurrence with the recommendations presented in the Report;
- e) **supported** the proposal to change the Committee's denomination to "FAO Oversight Advisory Committee" and **submitted** it to the Council for endorsement;
- f) **agreed** that a periodic independent external assessment or peer review of the Committee's performance be carried out in addition to the self-assessment; and
- g) **appreciated** the progress in implementing the Committee's recommendations, **noted** that recommendation number 7 regarding handling allegations of misconduct against the Head of Organization should reflect that it remained in progress, and **looked forward** to a further status report from Management at the next regular session of the Finance Committee in November 2020.

**FAO Audit Committee Membership**

31. The Committee considered document FC 180/10, *FAO Audit Committee Membership*.

32. **The Committee:**

- a) **considered** the document in which the Director-General proposed that Ms Malika Aït-Mohamed Parent (Algeria) and Ms Hilary Wild (United Kingdom/Ireland) be



- appointed as Members of the FAO Audit Committee for an initial period of three years. Such appointments would be made by the Council effective from the date of approval by the Council;
- b) **supported** the Director-General's proposal and **agreed** to submit the recommendation to the Council;
  - c) **requested** that the recruitment process for Audit Committee members set out in document FC 180/10 be reflected as an update to the Terms of Reference of the Audit Committee and presented for approval to the November 2020 session of the Finance Committee.

### 2019 Annual Report of the Inspector General

33. The Committee reviewed documents FC 180/11.1 and FC 180/11.2, *2019 Annual Report of the Inspector General*.

34. **The Committee:**

- a) **appreciated** the conciseness and quality of the report, which provided a comprehensive and informative overview on the various activities of the Office of the Inspector General (OIG);
- b) **welcomed** the summary information provided on individual investigation cases and on sanctions taken;
- c) **was reassured** by the Inspector General's confirmation that OIG had enjoyed full cooperation and had not been exposed to any interference since the new Director-General took office;
- d) **reiterated** its support for the operational independence of the Inspector General, including adequate managerial responsibility and control over the financial and human resources of the Office in line with best practice in the UN system;
- e) **expressed concern** at the continuing high number of observations reported relating to weaknesses and gaps in internal control systems, risk management and segregation of functions, in particular at Decentralized Offices level, and **urged** Management to intensify the steps being taken to address the gaps identified by the Inspector General;
- f) **welcomed** the Director-General's positive response to the Report and his support for the work of the Office of the Inspector General; and
- g) while noting the commitment taken by the Director-General in this area, the Committee **reiterated** the need for prioritizing resources to cover the increasing workload of the Office of the Inspector General within the existing net appropriation in order for the Office to meet the additional resource requirements in a sustainable manner so as to avoid any exposure of FAO to financial, legal and reputational risks.

### Revised Charter of the Office of the Inspector General

35. The Committee reviewed documents FC 180/12 and FC 180/12 Add.1, *Revised Charter of the Office of the Inspector General*.

36. **The Committee:**

- a) **approved** the revised Charter of OIG and reiterated its support for a strong and independent internal oversight function in FAO;
- b) **appreciated** the increased level of transparency, by making Executive Summaries of internal audit reports available on FAO's website and by facilitating Members' access to the full reports;
- c) **supported** the Secretariat's proposal to further amend the Revised Charter of the Office of the Inspector General in order to provide International Financing

Institutions and other institutional resource partners with access to audit reports directly relevant to their voluntary contributions and endorsed the addition of the text set out in document FC 180/12 Add.1, paragraph 7<sup>2</sup>;

- d) noted there was not a process in place to currently address allegations of misconduct against the Executive Head of the Organization and requested Management to report on progress on this issue at its November 2020 session; and
- e) encouraged FAO's active participation in the development of a coordinated and consistent UN system-wide approach on how to address allegations of misconduct against the Executive Head of an Organization.

### **Appointment of the Inspector General**

37. The Committee reviewed document FC 180/13 Rev.1, *Appointment of the Inspector General*.

38. **The Committee:**

- a) took note of the information contained in document FC 180/13 Rev.1 and supported the appointment of Mr Mika Tapio for the position of Inspector General, which would be subject to the non-renewable term limit of seven years as approved by the Committee at its 178th Session; and
- b) expressed its appreciation for the work of the Inspector General ad interim, Mr Egbert C. Kaltenbach, during his period of office.

### **Updated on the status of recommendations presented in the JIU Report, Review of Whistle-Blower Policies and Practices in United Nations System Organization (JIU/REP/2018/4)**

39. The Committee considered document FC 180/14, *Update on the status of recommendations presented in the JIU Report, Review of Whistle-blower Policies and Practices in United Nations System Organizations (JIU/REP/2018/4)*.

40. **The Committee:**

- a) noted the updated information on the status of implementation of the JIU recommendations, and on the recruitment process for the two positions of ethics and ombudsman functions;
- b) further noted that JIU recommendation 1 on handling allegations of misconduct against the Head of Organization was still ongoing and the updated status would be reviewed at its session in November 2020; and
- c) emphasized the importance of providing the training on harassment, sexual harassment and abuse of authority to all managers and in all the languages of the Organization.

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<sup>2</sup> "Upon written request from an institutional resource partner for a specific audit report covering programmes and operations co-funded by the requester, the institutional resource partner may be granted access to the full report. The request shall contain the partner's commitment to treat the report received as confidential and not to publicly disclose any information contained therein".

## Improved Methods of Work and Efficiency of the Finance Committee

### Status of Outstanding Recommendations of the Finance Committee

41. The Committee **took note** of the *Status of Outstanding Recommendations of the Finance Committee* and **looked forward** to receiving an updated version of the document at its next regular session.

### Working Methods of the Finance Committee

42. The Committee noted the importance of continually reviewing its methods of work in order to achieve its overarching goals and objectives.

43. In this regard, **the Committee:**

- a) **recalled** the importance of ensuring that all documents be received by Members, in all languages and with uniformity of quality, at least two weeks prior to each session and preferably as early as possible, to allow due consideration and preparation by Members, and **urged** the Management to take measures to address this issue;
- b) **acknowledged** the benefits of holding informal meetings in a virtual format and **recommended** that this format be considered as an option when planning informal meetings in the future;
- c) **welcomed** the procedure adopted during this session of considering selected items on the agenda by correspondence and **recommended** that consideration be given to continuing this practice at future sessions; and
- d) **recommended** that the approach to setting the agenda and timetable of the Joint Meeting be reviewed to ensure the efficient consideration of items on the agenda.

### Other Matters

#### Date and place of the Hundred and Eighty-second Session

44. The Committee was informed that the 182nd Session was scheduled to be held in Rome from 9 to 13 November 2020.

**Annex I - Annual Report on Budgetary Performance and Programme and Budgetary Transfers  
in the 2018-2019 Biennium**

EXECUTIVE SUMMARY

- The Finance Committee in November 2019 reviewed the Programme and Budgetary Transfers in the 2018-19 Biennium. It took note of the 2018-19 budgetary performance arising from implementation of the Programme of Work and the use of the 2016-17 unspent balance; noted the previously approved transfers to Chapters 1, 2, 3, 4 and 5; and looked forward to the final report at its May 2020 session.<sup>3</sup>
- This report presents the final 2018-19 budgetary performance based on the unaudited accounts of the Organization. Final 2018-19 spending represents 99.6 percent of the biennial appropriation, resulting in an unspent balance of USD 3.6 million.
- As authorized by the Conference in July 2019, the unspent balance of USD 3.6 million is available for one-time uses in 2020-21, based on a proposal to be submitted to, and agreed by the Joint Meeting of the Programme and Finance Committees, and the Council at their meetings in May-June 2020.<sup>4</sup>

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<sup>3</sup> CL 163/5 paragraph 15

<sup>4</sup> C 2019/REP paragraph 73

## Introduction

1. Conference Resolution 12/2017 approved the 2018-19 budgetary appropriation of USD 1 005.6 million and authorized the Director-General, notwithstanding Financial Regulation (FR) 4.2, to use any unspent balance of the 2016-17 appropriations for one-time use to support programmes of the Organization, including for the Special Fund for Development Finance Activities (SFDFA), in agreement with the Joint Meeting of the Programme and Finance Committees, and the Council at their meetings in November-December 2017.<sup>5</sup> The Council in December 2017 endorsed the Adjustments to the Programme of Work and Budget (PWB) 2018-19 and approved the modalities recommended by the Joint Meeting for use of unspent balance of the 2016-17 appropriations.<sup>6</sup> The Council at its 159th session noted that the underspending of USD 3.9 million in the 2016-17 net budgetary appropriations expenditure would be entirely transferred to the SFDFA and requested an annual progress report on the funding and activities of the SFDFA.<sup>7</sup>
2. The Finance Committee in November 2019 took note of the 2018-19 budgetary performance arising from the implementation of the Programme of Work, noted that the requested budgetary transfers had been previously approved by the Finance Committee at its March 2019 Session, and noted the information provided on the use of the unspent balance of the 2016-17 appropriation.<sup>8</sup>
3. The Conference at its 41st session, authorized the Director-General, notwithstanding Financial Regulation 4.2, to use any unspent balance of the 2018-19 appropriations for one-time uses in 2020-21, based on a proposal to be submitted to, and agreed by the Joint Meeting of the Programme and Finance Committees, and the Council at their meetings in May-June 2020 following review of the proposal presented on the systematic use of unspent balances.<sup>9</sup>
4. This report presents, for discussion and approval, the final budgetary performance against the 2018-19 net appropriation.
5. *Annex 1* presents a proposal on the use of the unspent balance of the 2018-19 appropriation, for discussion by the Joint Meeting of the Programme and Finance Committees (JM 2020.1/2).

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<sup>5</sup> C 2017/REP paragraph 76 and Conference Resolution 12/2017 paragraph 1)

<sup>6</sup> CL 158/3, CL 158/REP paragraphs 6-7 and 10 a)

<sup>7</sup> CL 159/REP paragraph 6 h)

<sup>8</sup> CL 163/5 paragraph 15 a), b) and f)

<sup>9</sup> C 2019/REP paragraph 73

## II. Overall Biennial Performance

6. *Table 1* summarizes overall budgetary performance versus the 2018-19 appropriation. The performance is based on the actual expenditure in the unaudited accounts of the Organization, adjusted for the budget United States Dollar/Euro exchange rate of 1.22 established in the PWB 2018-19.

**Table 1: Overview of 2018-19 Regular Programme Performance (USD 000)**

2018-19 Net Appropriation (CR 12/2017)	1,005,635
2018-19 Net Expenditure at Budget Rate	1,002,056
Balance against 2018-19 Net Appropriation that may be transferred to 2020-21	3,579
Carry Over of 2016-17 Unspent Net Appropriation Balance (CR 12/2017)	3,868
2018-19 Net Expenditure at Budget Rate funded from 2016-17 Carry Over	3,868
<b>Balance against 2016-17 Carry Over</b>	<b>0</b>

7. As shown in *Table 1*, the Organization expended a total of USD 1 002.1 million against the 2018-19 net appropriation. In addition, as forecast in November 2019 and reported in the PIR 2018--19,<sup>10</sup> the Organization fully spent the carryover of the 2016-17 unspent net appropriation balance made available in 2018-19 for one-time use to support programmes of the Organization, including for the SF DFA.<sup>11</sup>

8. An unspent balance of USD 3.6 million is recorded against the 2018-19 net appropriation of USD 1 005.6 million (99.6 percent spent). As authorized by the Conference at its 41st Session in July 2019, the unspent balance of USD 3.6 million would be available for one-time uses in 2020-21, based on a proposal to be submitted to, and agreed by the Joint Meeting of the Programme and Finance Committees, and the Council.<sup>12</sup> The proposal is elaborated in *Annex 1*.

9. As reported to the Finance Committee,<sup>13</sup> a favourable staff cost variance, i.e. the difference between budgeted and actual staff costs, was anticipated in the 2018-19 biennium. The main factors contributing to the final favourable variance of USD 16.1 million relate to the lower post adjustment multiplier for professional staff in Rome as a result of the cost-of-living survey that became effective on a gradual basis from 1 August 2017, as well as lower than budgeted expenditures for education grant, entitlement travel, and dependency allowance.

## III. Budgetary Transfers between Chapters

10. The final budgetary chapter transfers against the 2018-19 biennial appropriation are presented in *Table 2*. All transfers fall within the limits authorized by the Finance Committee in November 2019.

11. It is recalled that the budgetary transfers under the Strategic Objectives (Chapters 1 through 5) arise partially from the payment of the FAO cost share contribution of USD 4.7 million for the Resident Coordinator System for 2019 and support to emerging cross-cutting areas of programmatic priority through the Multidisciplinary Fund, which is budgeted in Chapter 6 (USD 10 million) and

<sup>10</sup> C 2021/8

<sup>11</sup> CL 158/REP paragraph 10 a) and CL 159/REP paragraph 6 h)

<sup>12</sup> C 2019/REP paragraph 73

<sup>13</sup> FC 178/5, paragraph 9

subsequently allocated to fund selected proposals in support of the Regional Initiatives and work of the Strategic Programmes at country level as reported in the PIR 2018-19.<sup>14</sup>

12. Compared with the forecast in November 2019, the final expenditure in Chapter 1 includes additional resources for the Food Insecurity Experience Scale (FIES) data collection service, one of the SDG2 indicators, previously forecasted in Chapter 6 (Technical quality, statistics and cross-cutting themes).

13. As previously reported,<sup>15</sup> the transfer into Chapter 4 includes USD 1 million additional resources allocated for the Joint FAO/WHO food safety scientific advice programme and the International Plant Protection Convention (IPPC) (USD 0.5 million each). The transfer is in line with the request of the Finance Committee as endorsed by the Council.<sup>16</sup>

14. Although no transfer is requested into Chapter 10, it is recalled that expenditure in this Chapter includes additional resources allocated to the Office of the Inspector General (USD 0.4 million) to ensure sufficient funding for its work plan, in particular for investigations.

15. As previously anticipated,<sup>17</sup> some variations by chapter occurred due to percentages of final expenditure in Euro being at variance with those forecasted, mainly in Chapters 10 (FAO governance) and 11 (Administration).

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<sup>14</sup>FC 178/5 paragraph 5 and C 2021/8

<sup>15</sup> FC 178/5, paragraph 6

<sup>16</sup> CL 161/REP paragraph 19 d)

<sup>17</sup>FC 178/5 paragraph 12

**Table 2: 2018-19 Budgetary Performance by Chapter (USD 000)**

Ch	Strategic or Functional Objective	Adjusted PWB 2018-19 (CL 158/3)	Forecasted Net Expenditure from November 2019 FC 178/5	Final Net Expenditure funded from 2018-19 Net Appropriation (at Budget Rate)*	Balance vs. Appropriation	Budgetary Chapter Transfers
(a)	(b)	(c)	(d)	(e)	(f=c-e)	(g)
1	Contribute to the eradication of hunger, food insecurity and malnutrition	82,451	88,056	91,213	(8,762)	8,800
2	Make agriculture, forestry and fisheries more productive and sustainable	197,117	197,598	198,101	(984)	1,000
3	Reduce rural poverty	66,527	70,025	70,237	(3,710)	3,750
4	Enable more inclusive and efficient agricultural and food systems	105,879	109,379	110,308	(4,429)	4,450
5	Increase the resilience of livelihoods to threats and crises	54,350	58,242	56,776	(2,426)	2,450
6	Technical quality, statistics and cross-cutting themes	68,651	60,830	59,620	9,031	(9,000)
7	Technical Cooperation Programme	140,788	140,788	140,788	0	
8	Outreach	78,630	77,386	77,172	1,458	(1,450)
9	Information Technology	36,244	32,767	31,731	4,513	(4,500)
10	FAO governance, oversight and direction	70,548	67,106	66,822	3,726	(3,700)
11	Efficient and effective administration	64,535	63,544	59,973	4,562	(1,800)
12	Contingencies	600	0	0	600	
13	Capital Expenditure	16,892	16,892	16,892	0	
14	Security Expenditure	22,421	22,421	22,421	0	
<b>Total</b>		<b>1,005,635</b>	<b>1,005,035</b>	<b>1,002,056</b>	<b>3,579</b>	<b>0</b>

\* The Net Expenditure total in column (e) excludes USD 3.9 million funded from the 2016-17 carryover, over and above 2018-19 net appropriation.

16. Any unspent balances in the Technical Cooperation Programme (Chapter 7), Capital Expenditure (Chapter 13) and Security Expenditure (Chapter 14) are transferred for use in the subsequent financial period in line with the Financial Regulations, and are therefore shown as fully spent in *Tables 1* and *2*. Additional information on these special chapters is provided below.

17. Under Chapter 7 (Technical Cooperation Programme) total expenditure at budget rate against the appropriation for the 2018-19 biennium of USD 140.8 million is USD 54.9 million. The unspent balance against the 2018-19 appropriation of USD 85.9 million is available for TCP obligations until 31 December 2021 in accordance with Financial Regulation 4.3. In addition, during 2018-19, USD 74 million in project expenditures were charged against the unspent balance carried forward from the 2016-17 TCP appropriation.

18. Chapter 13 (Capital Expenditure) generated a surplus of USD 10.3 million to be carried forward for use in subsequent biennia under the Capital Expenditure Facility. The 2018-19 level of expenditure reflects the fact that no major IT projects, which have a long-term cyclical nature, were programmed in the biennium.



19. Chapter 14 (Security Expenditure) generated a surplus of USD 3.5 million to be carried forward for use in subsequent biennia under the Security Expenditure Facility. The 2018-19 level of expenditure reflects the rationalization of corporate services with simplified reporting lines and cost effective support to staff and membership in all locations.

20. In accordance with the FR 4.5 (b), the Committee is requested to approve the required transfers from budgetary Chapters 6, 8, 9, 10 and 11 in favour of Chapters 1 (USD 8.8 million), 2 (USD 1 million), 3 (USD 3.8 million), 4 (USD 4.5 million) and 5 (USD 2.5 million) as shown in column (g) of *Table 2*.

#### **IV. Use of the 2016-17 unspent balance**

21. As authorized by the Council<sup>18</sup> and anticipated to the Finance Committee in November 2019,<sup>19</sup> the full USD 3.9 million of unspent 2016-17 net appropriation balance was used in 2018-19, through replenishment of the SDFDA, to support countries in the formulation of, and preparation for technically sound Green Climate Fund (GCF) projects.

22. In 2018-19, FAO supported the formulation of GCF Funding Proposals and Readiness Programme grants across all regions, with focus on least developed countries, small island developing states, and countries in the Africa region.

23. FAO, as GCF Accredited Entity, continued to engage with the GCF Secretariat. A total of six Funding Proposals prepared by FAO were approved by the GCF Board in 2018-19 (El Salvador and Paraguay in 2018, Chile, Kyrgyz Republic, Nepal and Pakistan in 2019) for a total of USD 426.6 million. GCF grants for the six approved Funding Proposals amount to USD 228.8 million. In addition, FAO is also involved as Implementing Partner or Executing Entity in four other projects (Mozambique, Paraguay, West Bank and Gaza Strip, and Zambia).

24. FAO has also submitted six Funding Proposals (Armenia, Colombia, Congo, Côte d'Ivoire, Cuba and Guatemala) to the GCF Secretariat. Approval of the project in Cuba was granted at the GCF Board Meeting in March 2020, while the other proposals are expected to be reviewed at the forthcoming GCF Board meetings for a total project value of USD 318.7 million, of which USD 159 million in grant funding. In addition, thirteen new Funding Proposals are under development (Argentina, Benin, Bhutan, Bolivia, the Gambia, Haiti, Jamaica, Jordan, Mauritania, Philippines, the Sudan, Tunisia and the United Republic of Tanzania) and FAO is supporting other countries, across all regions, in more preliminary stages of access to the GCF through baseline study development and concept note formulation (Afghanistan, Algeria, Guyana, Kenya, Myanmar, Papua New Guinea, Great Green Wall Multi-Country programme).

25. In 2018-19, 24 FAO-led Readiness Programme proposals were approved by the GCF Board. Combined with the five projects approved previously or in early 2020, the FAO GCF Readiness Programme portfolio has reached a total of 29 projects for a total value of USD 16 million.

26. Finally, FAO supported the Great Green Wall countries in Africa in developing a regional project proposal concept paper on "Scaling-Up Resilience in Africa's Great Green Wall" which was submitted to the Green Climate Fund in early 2020. FAO is now leading the formulation of the full regional project with the strong support of national institutions, which will also be involved in the implementation of the project. Letters of Agreement to carry out technical studies have been signed with the Pan African Agency of the Great Green Wall (PAGGW), the Natural Gums and Resins Network in Africa (NGARA), the African Forest Forum (AFF), CSIR-Forestry Research Institute of Ghana (FORIG), and Kenya Agricultural and Livestock Research Organization (KALRO). This USD 180 million multi-country project targeting Burkina Faso, Chad, Mali, the Niger, Nigeria and

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<sup>18</sup> CL 158/REP paragraph 10 a) and CL 159/REP paragraph 6 h)

<sup>19</sup> FC 178/5 paragraphs 13 through 17

Senegal, aims at scaling up the successful land restoration activities carried out by the Great Green Wall in order to reduce emissions and increase resilience of smallholder farmers in the Sahel through a value chain approach.

**Annex II - Documents for information**

- Status of Current Assessments and Arrears
- Report on the Special Fund for Emergency and Rehabilitation Activities